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for Resource Management
Washington, D.C. 20505

October 17, 1978

NOTE FOR: The Director of Central Intelligence
VIA: The Deputy Director of Central Intelligence
FROM: [redacted]
Deputy to the DCI for Resource Management
SUBJECT: NFIP budget conversation with the President

As I mentioned to you in my note which advised of preliminary conference results, the appropriations process resulted in a 2.2% reduction of our budget request--an amount about equal to the real growth we asked for. *(That depends on still-uncertain inflation, of course.)*

The effect on real resources available, however, was less than the 2.2% cut would imply. The biggest part of the [redacted] million cut has no programmatic impact. The NRO's termination reserve was reduced [redacted] million, accounting for about 60% of the total cut. Thus, the statement you made to the President was, indeed, true.

The termination reserve is a requirement of the anti-deficiency act and is, in effect, a contingency fund which, before the cut, amounted to about [redacted] million in the NRO in what are essentially unobligated balances. The Senate believes that the NRO would have sufficient protection from termination costs if they were to take advantage of DoD's overall unobligated balance (as is done by other elements of DoD). The committee feels that providing reserves for all projects is unnecessarily conservative. They were thus able to make a substantial cut without affecting the program. The cut applies as an offset to total obligation authority since the reserves already exist.

The other large cuts cited by the committee were the [redacted] ground processing upgrade. These in fact were not appropriations cuts--they were forced on them by authorization actions. The appropriation conference is simply taking credit for them and has appropriated the full amount authorized.

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